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SUBJECT: BROKEN GLASS AS COMPETING UNIONS CONTEST CONTROL
OF BEER BOTTLE FACTORY

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¶1. Summary: An extended dispute over which one of two unions would represent the workers at a beer bottle plant in the northern Mexican state of San Luis Potosi (SLP) now appears to be over. The plant in question employs some 800 unionized workers and the two unions involved are the CROC (Revolutionary Confederation of Workers and Peasants) and the SUTEIVP (Sole Workers Union of the Potosi Glass Bottle Industry). The plant belongs to Grupo Modelo, which reportedly controls over 50 percent of the country's domestic beer market and who's internationally known & Corona is one of the best selling beers worldwide. The dispute between the two labor organizations began this past January when, allegedly, the CROC was invited by the plant's management to supplant the existing SUTEIVP. The competing unions both have ties to Mexico's two main opposition political parties. According to a group of workers who met with Mission Mexico's Labor Counselor, the plant's management as well as state and federal labor authorities turned against them when the SUTEIVP negotiated a 19 percent salary increase that they feared would become the standard of reference for other unions. This wage increase significantly exceeds the GOM recommended raise of just 4 percent for 2008 (Ref). Consequently, these workers said, a concerted effort was made to replace the SUTEIVP. Depending on one's perspective, the situation at the beer bottle plant could either be seen as a deliberate case of union busting or an instance where a private company took (mostly) legal actions to maximize its returns. End Summary.

UNION CONTRACT KEEPS CHANGING HANDS

¶2. Grupo Modelo is one of the largest beer breweries in Mexico. Modelo manufactures a variety of beers, the most internationally famous being & Corona, and reportedly controls over 50 percent of the Mexican domestic beer market. One of the main sources of bottles for the Grupo Modelo breweries is an in-house glass making plant named Vidriera Industrial Potosi located in the northern Mexican state of San Luis Potosi (SLP). Prior to January 2008, the Vidriera beer bottle plant employed some 800 unionized workers. Up until late 2006, and for at least ten years prior to that, the union representing these workers belonged to the CTM (Confederation of Mexican Workers).

¶3. Following a hard fought campaign the CTM, which is the largest labor federation in Mexico, more or less gracefully

accepted its loss in a union election which replaced it with an independent union called the Sole Workers Union of the Potosi Glass Bottle Industry (SUTEIVP). It should be noted that the CTM is formally linked to one of the country's two main opposition political parties, the PRI (Mexico's former ruling party, the Institutional Revolutionary Party). As an independent union the SUTEIVP affiliated itself with the National Workers Union (UNT), the second largest labor federation in Mexico. The UNT has extremely close ties to Mexico's main opposition political party, the PRD (Party of the Democratic Revolution).

14. In early 2007, shortly after winning its contest against the CTM to represent the Vidriera workers the SUTEIVP successfully renegotiated the then existing collective bargaining contract. From the union's point of view the renegotiated contract was extremely successful in that it granted the workers an unprecedented 19 percent wage increase. The new contract greatly exceeded the GOM's recommended wage increase for 2008 of 4 percent (Ref). Thus far in 2008 few, if any, unions have negotiated a combined wage and benefit package that has exceeded 6 or 7 percent. Thus, although the SUTEIVP achieved something no other union in Mexico has been able to accomplish it may well have been a pyrrhic victory. By the end of 2007 the management of Vidriera Industrial Potosi decided changes were needed. On December 10, 2007 the plant's management announced that for a variety of business reasons it would have to fire somewhere between 200-250 workers. This announcement began a series of events, which, in mid-May 2008, ultimately resulted in a third union now being declared the legal representative of the Vidriera Industrial Potosi workers.

MEXICO 00002017 002 OF 004

15. The new union representing the Vidriera workers is affiliated with the CROC (Revolutionary Confederation of Workers and Peasants). The CROC is the third largest labor federation in Mexico. Until 2006 the CROC was formally linked to the PRI but since then claims that will seek political alliance with whatever party that is prepared to help promote the interests of its union members. In SLP that has meant being linked to Mexico's current ruling National Action Party (PAN). Overall the USG has had a positive relationship with the CROC which has received funding from both USDOL and USAID for its work in combating the child commercial sex trade. That said, like many large organizations, the CROC has both its good and bad elements.

A COMPLICATED LABOR TALE CHANGES WITH EACH TELLER

16. The details of the events which led to a third union representing the Vidriera Industrial Potosi workers in as many years varies greatly depending upon the source of the information. There are at least three different versions of what transpired at the SLP beer bottle plant. The differing versions of events come from (a) the Vidriera plant management; (b) the SUTEIVP; and (c) GOM federal and SLP state labor authorities.

17. The Company's Side: According to the Vidriera Industrial Potosi plant managers, any problems in SLP are the result of the union's failure to understand current economic realities and a rejection of legitimate company offers to fully comply with Mexican Federal Labor Law. Vidriera Industrial Potosi asserted that the December 10 announcement came after a realistic analysis of harsh economic conditions that forced it to shut down one of its glass making ovens and significantly reduce staff for sound business reasons. Of the approximately 800 unionized workers at the beer bottle plant the company took steps to fire somewhere between 200-250 employees. The initial reason given for this cutback in production and staff was that the company was compelled to downsize in order to deal with the consequences of low sales

and reduced profits. Interestingly, when workers and the SUTEIVP questioned the company's claim of low sales as the reason for the downsizing, they said the reason given by the company then changed to a claim that the oven was being shut down for extensive maintenance and then changed again to an assertion that low international exports were hurting the bottle plant's bottom line. It is difficult to judge the validity of any of these claims. That said, once the company announced the staff reductions it also offered those losing their jobs a severance package, called "liquidation", that it averred was fully consistent with established Mexican Federal Labor Law.

18. The Union's Side: The SUTEIVP states unequivocally that Vidriera company management decided to break the union once it saw that it would not be as complacent as its predecessor, the CTM. In order to bolster this assertion, lawyers and various spokesmen associated with the union presented information which they claim shows that the reasons given for the announced staff reductions were false. Perhaps the most telling argument made by the SUTEIVP against the company management's claim of harsh economic conditions compelling sharp staff reductions were the February 2008 reports, in both Mexican and US newspapers that Grupo Modelo was building a USD 280 million bottle making plant in the nearby Mexican state of Coahuila. It should be noted that post has previously reported on what could be described as an excessively pro-business slant of both the Coahuila state government and the dominant union there, the CTM (Ref B).

19. SUTEIVP spokesman have also pointed out that from 2000-2006 Grupo Modelo as a whole grew 5.14 percent and that international exports rose 11 percent per year. Interestingly, Grupo Modelo does not dispute these figures but does claim that the growth of the company and the business success of the Vidriera Industrial Potosi beer bottle plant are not one and the same. The SUTEIVP also points out that among the 200 plus persons fired to date are every single member of the union's executive committee plus every single person who served in any capacity as a union

MEXICO 00002017 003 OF 004

official. Finally, in a meeting in Mexico City with Mission Labor Counselor a group of fired workers asserted that the Vidriera management had received tacit support from GOM federal and SLP state labor authorities to fire anyone closely associated with SUTEIVP because they feared that the generous 19 percent wage increase negotiated by the union might become the new standard of reference in contract negotiations in the state and throughout Mexico.

110. The GOM's (Federal and State) Side: The SUTEVIP has sharply criticized the role of GOM state and federal labor authorities for their actions or lack thereof in the events that took place at the Vidriera beer bottle plant. The authorities, at both the federal and state level, assert that they have scrupulously applied Mexican Federal Labor law. To begin with, the authorities assert (correctly) there is no legal reason why Grupo Modelo cannot reduce staff and/or build a new bottle plant elsewhere in Mexico as long as it does so in accordance with the law. In this case that means that the Vidriera management would have to pay the severance package, or "liquidation" required by law. The authorities have pointed out that the company did offer liquidation as required and at least 100 of the fired workers have accepted the package.

111. The SUTEVIP claims that the authorities have imposed a new management friendly union (the CROC) on the Vidriera workers. In response, the authorities claim that as a result of the clear and ongoing dispute between SUTEVIP and Grupo Modelo some of the workers independently organized to invite another union to represent them. The authorities claim they simply responded to a request from the workers to give them an opportunity to choose their representation. Consequently the authorities organized a union election on May 9, 2008

which the CROC won.

¶12. The claims by the authorities sound reasonable but credible press reports have undercut some of the statements by GOM state and federal labor officials. Among the possible irregularities was the fact that the CROC was allowed to campaign inside the factory which SUTEVIP supporters were prevented from entering the plant at any time by both state and federal police. The authorities were legally required to inform both of the competing unions that they had been approached, supposedly by unhappy workers, with a request to hold new elections. The SUTEVIP claim that they were never officially informed by the labor authorities of the decision to hold new union elections. The authorities appear to have rushed to certify the CROC as the new representatives of the Vidriera workers without waiting for a court ruling on the appeal filed by SUTEVIP to invalidate the election because of the above mentioned irregularities.

DEPOSED UNION HAS NATIONAL AND INTERNATIONAL SUPPORT

¶13. The situation at the Vidriera Industrial Potosi beer bottle plant had generated considerable national and even some international support for the SUTEVIP. Nationally at least 16 other unions affiliated with the UNT have come out to support the SUTEVIP and to condemn Grupo Modelo and the GOM state and federal labor authorities. Internationally the SUTEVIP it is also being supported by the AFL-CIO affiliate the Glass, Molders, Pottery, and Plastics & Allied Workers International Union (GMP). A US and Canadian delegation of GMP members recently traveled to San Luis Potosi following which they met with Mission Mexico Labor Counselor to protest the situation that has occurred at the Vidriera beer bottle factory. The GMP delegation advised Labor Counselor that they would be discussing the San Luis Potosi situation with their membership and contacting their elected representatives in their respective to lobby for more international involvement against what they said was a clear case of union busting.

COMMENT

¶14. Barring a court approval of the appeal to invalidate the union election because of process and voting irregularities, the CROC is now the legal representatives of workers at the

MEXICO 00002017 004 OF 004

Vidriera Industrial Potosi beer bottle plant. It will probably be difficult for the SUTEVIP and its supporters to prove that Grupo Modelo intentionally set out to bust the union but as things now stand that will be the clear end result. Nevertheless, even by local standards, it is very suspect to have union representation in a factory change hands three times in three years. Under current Mexican Federal Labor Law it does not appear as if Grupo Modelo did anything (obviously) illegal. The company was/is certainly free to move or rearrange its operations in any way it sees fit as long as it meets its legal obligations to any fired workers; which it apparently did. The AFL-CIO, its affiliate and the Mexican unions supporting the SUTEVIP can probably make a compelling argument about the ethics of what happened at the beer bottle factory in San Luis Potosi but legally there appears to be little that can be done other than to await the decision of the now deposed union's court appeal.

¶15. This message was cleared by AmConsul Monterrey. Visit Mexico City's Classified Web Site at <http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at <http://www.intelink.gov/communities/state/nap> / GARZA